



Energy Edge

A NEWSLETTER FOR MEMPHIS LIGHT, GAS AND WATER DIVISION COMMERCIAL CUSTOMERS

MARCH 2006

TVA raises electric rates for all

**Impact varies by customer rate class;
effective date varies by meter reading cycle**

While news of TVA's 9.95% wholesale electric rate increase circulated last month, details about how the increase will affect MLGW's customers have just been determined. The "good news" is that the retail impact on customers is slightly less, with increases varying from 7.6% to 9.6%.

Similar to the Fall 2005 TVA rate increase, the retail impact will vary according to each customer's "rate class," a TVA term based on electric demand and monthly consumption associated with each electric rate tariff. The table on page 2 summarizes the estimated retail impact for each rate class. The new rates will be effective starting with billing cycle one, for customers whose meters will be read on 3/27/06. (Your cycle number is printed in the blue text box on your MLGW bill.)

TVA management cited rising fuel costs and purchased power expenses, which have lowered cash balances significantly, among its reasons for the rate increase. MLGW is required by law and terms of its power supply contract to pass through any rate actions implemented by TVA.

In announcing this rate increase, TVA also indicated a strong potential for implementing a Fuel Cost Adjustment fee. The fuel adjustment would fluctuate, perhaps monthly or quarterly, to reflect the cost of TVA's energy sources and purchased power.

"The Fuel Cost Adjustment is a solution that would keep TVA's rate more closely aligned to costs and help reduce the need for large rate adjustments in the future," explained TVA Chairman Bill Baxter. "Most utilities across the nation already have this type of mechanism in place to recover these costs."

While no decision has been made, the fact that TVA is exploring a Fuel Cost Adjustment should be considered in your budgeting process. The start of TVA's fiscal year, 10/1/06, is a likely target date, should TVA decide to implement the adjustment as part of its rate structure.

Purchased Gas Adjustment (PGA)

Rate	Consumption	Demand
G-1 residential	\$0.4927	na
G-7	\$0.4928	na
G-8 / G-9	\$0.4994	(\$0.0826)
G-10 / G-12	\$0.4976	na

Adjustment in \$/Ccf to published rates for bills rendered on or after 2/24/06.

Interesting Webs....



New electric rate tariffs will be available soon on MLGW's website, www.mlgw.com



Important Contact Information:

Commercial Resource Center:
Monday-Friday

7:30am to 5:00pm Central

Phone: 901-528-4270

Fax: 901-528-4547

E-mail: crc@mlgw.org

Emergency: 901-528-4465

Outage: 901-544-6500

Estimated Retail Impact on MLGW Electric Rates

Customer Type	MLGW Rate Code	Electric Load Specifications	TVA Rate Class	% Retail Increase
General Power	E-2	If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12 month period is not more than 50 kW, AND: (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh.	GSA, Part 1	7.7%
General Power	E-2	If (a) the higher of (i) the customer's currently effective contract demand, or (ii) its highest billing demand during the latest 12 month period is greater than 50 kW but not more than 1,000 kW, OR: (b) if the customer's monthly billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh.	GSA, Part 2	8.4%
General Power	E-2	If the higher of the customer's currently effective contract demand or its highest billing demand during the latest 12 month period is greater than 1,000 kW.	GSA, Part 3	8.9%
General Power	E-2	If the customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW.	GSB, Firm	9.2%
General Power	E-2	If the customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW.	GSC, Firm	9.4%
General Power	E-2	If the customer's currently effective contract demand is greater than 25,000 kW.	GSD, Firm	9.6%
Manufacturing Power Rate	E-2	Where (a) a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW, AND: (b) the major use of electricity is for activities conducted at the delivery point serving the customer which are classified with a 2-digit Standard Industrial Classification (SIC) Code between 20 and 39, inclusive; provided that other applicable conditions are met.	MSB, Firm	9.2%
Manufacturing Power Rate	E-2	Where (a) a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW, AND: (b) the major use of electricity is for activities conducted at the delivery point serving the customer which are classified with a 2-digit Standard Industrial Classification (SIC) Code between 20 and 39, inclusive; provided that other applicable conditions are met.	MSC, Firm	9.4%
Manufacturing Power Rate	E-2	Where (a) a customer's currently effective contract demand is greater than 25,000 kW, AND: (b) the major use of electricity is for activities conducted at the delivery point serving the customer which are classified with a 2-digit Standard Industrial Classification (SIC) Code between 20 and 39, inclusive; provided that other applicable conditions are met.	MSD, Firm	9.6%
Outdoor Lighting	E-3	Street and park lighting systems, traffic signal systems, athletic field lighting installations and outdoor lighting for individual customers, including MLGW's Leased Outdoor Lighting service.	Outdoor Lighting	7.3%
Residential	E-1	Single-family dwelling, where the major use of electricity is for domestic purposes.	Residential	7.6%

Standard & Poor's reaffirms MLGW's AA bond rating

Standard & Poor's Rating Services recently affirmed its AA rating and stable outlook for MLGW's electric system revenue bonds after its annual review of MLGW. The announcement arrives in time to complement the utility's AAA rating on its water system.

For any commercial entity, this demonstrates an extraordinarily high level of financial management and performance. In order to provide these ratings, Standard & Poor's looks at financial operations, management practices, rates, debt service coverage and cash balances. For MLGW, having the business world's two high financial ratings allows the utility to issue bonds at much lower rates than companies with lower financial ratings.

MLGW remains the only three-service utility in the nation—public or private—to hold both a AA rating on its electric system and a AAA rating on its water system from Standard & Poor's.

“We are excited that MLGW is maintaining its tradition of financial excellence,” said MLGW President and CEO Joseph Lee III. “It is a great testimony to our financial management staff. This proves our strength as a company and will assist us in maintaining stable rates.”

Energy Edge is published by the Economic Development department of Memphis Light, Gas and Water Division. Comments and distribution list changes may be e-mailed to: crc@mlgw.org